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# Socialist Factors in China's Economic Miracle and Development Achievements

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## ABSTRACT

During the 70 years since its founding and the 40 years since its reform and opening-up, modern China has recorded a series of remarkable historic achievements, especially its miracle of high-speed economic growth over a long period. Socialism with Chinese characteristics, under which these achievements have been registered, is unquestionably a socialist system, and has entered a new era of national prosperity and greatness. We should attach particular importance to the socialist factors involved here, since the superiority of the socialist system has lent a unique support to the economic miracle and to the development achievements. A number of these socialist factors, and their unique advantages, deserve especially close attention. These include the achievements of China's economic development and of the socialist system itself; China's socialist economy and politics; its socialist market and government; the socialist market economy and the planning that is inherently involved in it; the public and non-public economy at the primary stage of socialism; socialist modernization and the world economy; China's internal and external markets; the goals of socialist production and its driving forces; socialist workers and human resources; socialist economic theory and practice; and so on.

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During the 70 years since the establishment of the new China and the 40 years since its reform and opening-up, the Chinese nation has accomplished a great leap, reasserting its independence and dignity, becoming rich and strong, and recording a series of remarkable historic achievements. In particular, China's economic miracle, notable for the speed of development, the volume of output, and the technological attainments of "Made in China," has been recognized throughout the world. The question of how to interpret the causes of this miracle, and of the achievements of the country's development, has inevitably become something of a hot issue. In the world at large, people who set out to learn from China and those who regard it as a competitor are alike seeking to understand the reasons behind the country's success. Within China itself there are varying interpretations of the questions concerned, resting on different stances, viewpoints and methods; correspondingly, a range of opinions are voiced. The views that are expressed in public serve to guide and influence people's judgment concerning China's road and the direction of the country's development. It should be emphasized here that the new China is founded

on socialism, and that socialism with Chinese characteristics is socialism first and foremost. Consequently, any interpretation of China's economic achievements should begin by affirming the achievements of socialism and the socialist factors involved. However, the interpretation carried out by the academic community has clearly been lacking in this regard, with the result that many people view China's historic achievements as no longer related to socialism. It may even be said that if Chinese scholars fail to see the great achievements and advantages of socialism, they are inferior to foreign scholars who observe China with their eyes open. If certain scholars are limited by their stances and inadequate knowledge of the subject, then Marxist scholars, and especially Marxist economists, should not shirk their responsibility to study the achievements of socialism and to examine the socialist factors that are at work. Socialism has been practiced in China for 70 years. If Chinese Marxist scholars do not study the achievements of socialist construction and development, if they fail to see the socialist factors that underlie China's miracles, and if they pay no attention to the theoretical study of the socialist economy, they will be suspected of neglecting their duties or of deviating from the correct track. Proceeding from the perspective of raising questions, and with allowance for space limitations, this paper will summarize the socialist factors at work in China's economic miracle on the basis of the following ten aspects, aiming to attract attention within academia and to further deepen the study of the basic issues of socialist economic theory.

## **I. Achievements of China's Economic Development and of the Country's Socialist System**

The scale of China's economy and the speed at which it has developed are obvious to all, at the same time as the general view on how China has brought about such economic advances is limited in nature and not based on facts. Since the beginning of reform and opening-up, China's economy has witnessed decades of rapid growth, and the country has achieved economic revitalization and national prosperity. Therefore, only the path of socialism with Chinese characteristics, as initiated by the reform and opening-up, can allow China to achieve development. There is no disputing that reform is the driving force behind development. However, reform and opening-up has its specific content and conditions, and is not able to explain everything. For example, China is not the only country in the world that has carried out reform and opening-up. Have all the countries and regions that have carried out reform and opening-up been successful? Let us take socialist countries, for example. They have all shown a readiness to undertake reform and opening-up, but have they all been capable of carrying it through? Didn't reform and opening-up take place before the collapse of the Soviet Union and the drastic changes in Eastern Europe? Why has China's reform and opening-up been so successful? In addition, there is a strange subjective impression in public opinion that the system and mechanisms in China prior to reform and opening-up were not good and had many problems, and that the purpose of carrying out reform and opening-up has been to negate the past. It seems that the more thorough the negation is, the better the reform functions, to the point where the reform seems to be more thorough than the revolution. In reality, reform basically represents the self-development and perfecting of the socialist system, which was its original intention. Reform aims to eliminate the drawbacks of the existing system and mechanisms, and to carry out constant innovation within that framework.

However, we cannot ignore the advantages of many existing phenomena that support reform and opening-up, and that even determine its success or failure. Public opinion in China often reflects more of the process and results of economic development, and less of the superiority of China's socialist system itself.

For example, the collective ownership of land is a unique form of socialism in rural China. It not only laid the foundation for the successful socialist transformation in rural areas of the new China, making historic contributions to the emancipation and liberation of the broad masses of peasants. It also assisted in the industrialization of the new China, and in making it possible to protect China by resisting US aggression and aiding Korea. On the basis of ensuring the long-term stability of rural areas and peasant life in the new period of the reform and opening-up, the collective ownership of land has also guaranteed a continuous supply of cheap rural labor for urban and rural areas. Even when companies fail during an economic downturn and go bankrupt, migrant workers can still return home for the Spring Festival even if their salaries are in arrears. Migrant workers are peasants who work to build modern cities, and they are also the least troublesome workers, because they are masters of land that can satisfy their basic living requirements, and their land cannot be bought and sold by anyone. This is one of China's institutional advantages. Without it, where does the outstanding performance of enterprises come from? If, on the other hand, the reform and opening-up were to eliminate the collective ownership of land, and if most of the peasants who migrated to urban areas were without land back at home, the potential would exist for a great crisis in Chinese society. Therefore, the Central Committee of the Communist Party of China (CPC) does not blindly emphasize urbanization as the next step in the country's modernization strategy. Instead, it puts forward the strategy of rural revitalization. In the past, the propaganda of urbanization seemed to advocate the step-by-step elimination of the original countryside; by contrast, the current strategy of rural revitalization involves preserving and protecting rural areas.

There are many more examples of this type of socialist uniqueness. After the reform and opening-up, where does "Made in China" come from without a more-or-less complete socialist national economic system as its basis? Without the CPC-led, politically-based people's army as a strong backup force, how can there be a safe and stable long-term domestic and external environment for the reform and opening-up? Without the strong leadership of the Communist Party of China, with its proletarian nature, how can there be a powerful cohesive impulse for the reform? In the absence of the socialist national policy with Chinese characteristics, formed under the guidance of the Marxist theory of national liberation, the striking unity of the Chinese nation would not have come into being, and the tragedy of national separation and national war would inevitably have come to pass. In the course of world history many countries and regions have acted out the farce of national separation, while only in China do the country's 56 ethnic groups remain closely united. If the principles and ideology of scientific socialism were abolished, the nature of the CPC would be altered, the army would lose its fighting capacity, the country would be torn apart, the reform and opening-up would go astray, and not only would national rejuvenation and modernization be impossible, but China would fall into an abyss. Therefore, we should not just say that only socialism can save China, but also that only socialism can help China achieve development.

This implies the unity of socialism with the reform and opening-up. Reform is essentially the self-improvement of the socialist system. For socialism with Chinese characteristics initiated by the reform and opening-up, we must not change the nature of socialism, but adhere to it and develop it further. The underlying goal of reform and opening-up is to make up for the underdevelopment of the commodity economy at the primary stage of socialism, to vigorously promote the development of the productive forces of society, to improve people's living standards and to strengthen and improve socialism. Therefore, the comprehensive deepening of reform in the new era that is being undertaken by the CPC Central Committee will focus on improving and developing the socialist system with Chinese characteristics, promoting the modernization of the state governance system and enhancing its capacity to rule.

## II. Socialist Economy and Politics in China

In peacetime, economic development often features as the most important political question that countries face. The same has been true of China since the beginning of its reform and opening-up. The main effort and resources in China, and many specific tasks, are centered on economic construction. In this case we cannot say casually that politics and the economy are separated, any more than we can say that the Communist Party of China, as both the country's leading political force and its ruling party, is separate from the government. The functions of politics and the economy are different, and so are the functions of the party and the government. However, it is not appropriate to describe this relationship in the simplistic terms of "separation of politics and the economy" and "separation of the party and the government." Politics, the economy, culture, society and the natural environment belong to different fields, but are all integral to economic development. They are inseparable, and cannot be divided off from the central task of economic development. The economy cannot develop in isolation, without the leadership of the party and the government and without support from other elements including the rule of law, culture, social security and so on. Therefore, the people who are directly active in the economy should not claim sole credit for China's high-speed economic development and revitalization, while at the same time blaming the party and the government for intervening, and when their enterprises encounter difficulties, demanding support from the government and the rest of society. It is normal practice for any party in the world, when it comes to power, to intervene to one degree or another in the economy. Meanwhile, governments of all countries strive in the international arena to secure their own economic development. Without a strong political order and basic political stability, there can be no basic guarantee of economic development. How can a country as big as China develop its economy if its economic actors lack strong political support, especially when China has its own particular national, party and political conditions?

China's achievements in economic revitalization have attracted worldwide attention. China's political stability and social stability are its greatest advantages, and provide the political basis for its economic revitalization as well. The Communist Party of China is not only the ruling party, but also plays a leadership role within society. Because the underlying nature of the state in China is that the proletariat leads the people in exercising mastery over the country, the Communist Party of China is the vanguard of the proletariat, and at the same time the vanguard of the Chinese people and the Chinese nation. The

Communist Party of China leads everything. China's political and social stability benefits from the party's leadership and from the superiority of the socialist system. From the basic socialist system to the specific systems of politics, economics, culture, society and the construction of ecological civilization, all major policies are formulated by the people under the leadership of the party, and all strategic deployments are made by the CPC Central Committee. The most essential feature of socialism with Chinese characteristics is the leadership of the CPC, and the greatest advantage possessed by the system of socialism with Chinese characteristics is the leadership of the CPC. To study the Chinese economy, we must therefore study Chinese politics and the governance of the state by the CPC, while also following the party's guiding principles, development concepts and policy guidelines. This is the real basis for studying China's political and economic development.

The essence of the economic system of socialism with Chinese characteristics, for example, consists of the co-development of diverse forms of ownership with socialist public ownership acting as the mainstay. Public ownership is the cornerstone of socialism. The enterprises and institutions that characterize public ownership of the means of production, along with the mountains and rivers, the minerals and other resources, are all collectively owned. Who is in charge of these public assets? In the development of resources, the relationship between usage rights and ownership, like the principle of profit distribution, is not only an economic question but also involves major political issues. Specific operations in the allocation, development and utilization of public resources require the party and the government, the people's congress and the Chinese people's political consultative conference at all levels to shoulder their responsibilities and obligations. Wherever enterprises and institutions use public assets, the leadership by the party and supervision by the masses should be strengthened. Regulation by the party and the state machinery, and supervision by the people, must be in place for all the core issues related to the socialist economic foundation. Socialist economics should therefore avoid the pitfall of attempting a simple separation of politics and the economy.

### III. Socialist Market and Government

The relationship between market and government is an old topic that in Western economics has been discussed at length for more than a hundred years. In reality, this too is a false proposition that exists only on paper, and whose theoretical assumptions and conclusions neither keep up with nor correspond to the practical situation. Certain scholars, for example, argue the need for a completely free market, and point approvingly to the small and weak governments that practice a minimum degree of intervention in the market. In fact, not even the rulers of Western capitalist countries oversee their national markets according to the principles spelt out in the textbooks. From early mercantilism to today's financial crises, what government has not sought to the utmost to intervene in the market? What government has not been the spokesman and pioneer of the market? The actions of governments are based entirely on actual needs rather than on conclusions from textbooks. While Western economics is becoming increasingly abstruse, the economic and financial crises in the Western capitalist world are becoming more and more serious. When the economic theories on the relationship between market and government in the developed West are powerless to deal with the economic problems of the countries concerned, why would these theories not lead China's economy to chaos if Chinese

scholars were simply to copy them, and use them to guide China's economy? The theories of market fundamentalism have been worshipped as a kind of Bible by many people in China, and have caused significant harm to the country and its people. If marketization can promote economic development, why are the economies of Western countries still stagnating and constantly in crisis?

Since China's reform and opening-up, a socialist market economic system has been established, and an economic system involving the development of public ownership within a multi-ownership economy has been implemented. How could a socialist market economic system have been established so quickly, without the strong leadership of the party and the government in carrying out the reform? Could the non-public economy, including small and micro-enterprises, have achieved today's success without the strong support of the party and the government, and could these non-public enterprises have withstood the perils of the world financial crisis on their own? We should not think of the government as useless, and blindly pursue freedom and comfort when times are good, before turning to the government and expecting it to provide support, pay the bills and bear the losses when the situation turns bad. In addition, China as a socialist country has a huge volume of public resources. The government of a socialist country is the people's government, trusted and authorized by the people to manage public resources and assets in the economic, social, cultural and ecological fields. How can such a government be small and weak? How can it keep delegating power? Will all our troubles end if we carry out the reform of state-owned firms through the sole mechanism of separating the government from the enterprises? The government can streamline its operations, improve its efficiency and prevent overstaffing, but it cannot be weakened or have its responsibilities reduced. A weak government with excessive decentralization represents a dereliction of duty. If it causes the loss of public property, this amounts to a crime against the people. The "third party" system, which is now widely implemented, should use the same criterion to judge whether it is feasible or not. If China intends to strengthen its market, can this be achieved without the government's promotion and intervention? While having the market play a decisive role in the allocation of resources, the CPC Central Committee with Comrade Xi Jinping as its core therefore proposes clearly that the government should play a better role—that is, that it should make its starting-point the actual situation of China, that it should adhere to the principle of seeking truth from facts, and that it should safeguard the fundamental interests of the broad masses of the people. China has no need to fear the suspicions aroused by intervention in the market, and no need to cling to the sole idea of simplifying administration and decentralizing power. The government should not withdraw or refuse to act; instead, the government and market should each operate in their appropriate sphere. The government should also exercise close supervision over the areas it needs to administer, and should reclaim powers that ought not to have been decentralized. If the government fails to carry out its tasks in these areas, it is neglecting its duty, and if the quality of its administrative work is poor, then it is incompetent. Unless we adhere to this approach, how are we to implement the policy of the CPC Central Committee of giving full play to the role of the government? In short, there are many concrete problems that need in-depth research if we are to find ways to allow the government to play a better role in China's socialist market economic system.



#### IV. Socialist Market Economy and Its Inherently Planned Nature

The reason why we need to develop the socialist market economy lies in our country's still relatively low level of productivity and in its underdeveloped commodity economy; our goal must be to promote the development of the social productive forces through the commodity economy, and to make up for our insufficient material wealth. For entirely natural reasons, the market is the basic rule of the commodity economy and the means of resource allocation within it. The commodity economy needs to use market mechanisms; as Marx at one point explained,

Economy of time, as well as the planned distribution of labour time over the various branches of production, therefore, remains the first economic law if communal production is taken as the basis. It becomes a law even to a much higher degree. However, this is essentially different from the measurement of exchange values (of labours or products of labour) by labour time. (Marx and Engels 2010a, 109)

This shows that the first economic law of the collectivized economy is the proportional distribution of labor time among production departments, and the saving of labor time in utilization. During the early stage of the reform and opening-up Deng Xiaoping achieved a breakthrough in understanding this point, explaining that the market is a means that can be utilized both by capitalism and socialism. Later, the goal of reform of the economic system came to be defined as establishing a socialist market economy. Meanwhile, the commodity economy is also linked to socialized production. The progress of the commodity economy from its underdeveloped to its developed stage is further manifested in the process through which the socialization (including internationalization) of production is constantly upgraded, and in the process through which the contradiction between competition and monopoly becomes increasingly sharp. The hand of the market is simply the driving force that aggravates this contradiction; it pushes competition and monopoly to the edge of a cliff, but it cannot pull them back. Only through an economic crisis—analogueous to falling off the cliff—can the contradiction be temporarily resolved, with the impact on human society becoming more destructive each time. This situation has appeared repeatedly in the history of capitalist development, has been analyzed in terms of scientific theory by classical Marxist writers, and can befall any country that has reached the corresponding stage of development. The socialized nature of commodity production objectively requires not only the establishing of market incentive mechanisms, but also the exercise of social regulation and control. A strong hand needs to hold the reins. The contradiction between the socialization of production (internationalization) and private ownership of the means of production determines that this requirement cannot really be met so long as the means of production are under capitalist control. Although capitalist countries may be eager to employ economic planning, the fundamental problems cannot be solved through the type of limited regulation that consortia and managers may try to implement through monopoly force and their control of policy. It was on this basis that Deng Xiaoping (1993) pointed out that both planning and market are economic means and methods, and that capitalism also employs planning.<sup>1</sup>

Since Deng Xiaoping pointed out many times in his later years that planning and market are both methods and economic means, and that capitalists also engage in planning, can socialist countries not employ planning when they make use of the market economy? Many scholars and commentators now avoid the word “plan,” but this is simply not



compatible with the ideological line of emancipating the mind and seeking truth from facts. Objectively, the contradiction between the socialized nature of commodity production and the inability of the market economy to impose sufficient regulation, a contradiction that grows more acute as the commodity economy develops, inevitably demands the adjustment represented by planning. Only under the socialist system can this adjustment through planning be achieved. Although China's socialism is still in its infancy and cannot avoid the external impact of the world market, it is precisely the internal self-regulation inherent to socialism that is the system's key advantage. Combining the planned economy with the market economy can liberate productive forces and accelerate economic development. Although the emphasis in the time of Deng Xiaoping was on combining socialism with the market economy, Deng did not ignore the planned nature of the socialist market economy that resulted. From the 18th National Congress of the CPC, Xi Jinping advocated supply-side reform, which not only coped effectively with the global financial crisis and economic recession, but was also able to be adapted to the requirements of the transformation and upgrading of China's economic structure in the new era. Reflected in the supply-side reform are the superiority of the socialist system with Chinese characteristics and the inherent law of the socialist market economy. The supply-side reform involves transforming and upgrading the economic structure in each five-year development plan, with the emphasis on both quality and quantity. The goal is to strengthen the party's leadership of economic work, and to enhance the government's role in the five-pronged strategy aimed at promoting coordinated economic, political, cultural, social and ecological progress, as well as in the two-step strategy of bringing about modernization and an all-round moderately prosperous society, and in the "One Belt and One Road" initiative. China's participation in the process of economic globalization, within which capitalism still dominates the world market, means that the Chinese economy is inevitably affected by the financial and economic crisis of the capitalist world. The reason why China's economy is still strong, and why the situation in China is uniquely favorable, is precisely that China's economy possesses a socialist foundation and a range of socialist mechanisms. If China's economic reform moves in the direction of capitalism, we may conclude that China, like the countries of the capitalist world, will come to suffer from an increasingly serious capitalist crisis. Even if the economy at first grows rapidly, it will soon decline. This is due to the unbalanced and unsustainable mode of development of the capitalist economy. Chinese economic scholars, it follows, should not blindly worship capitalist economic forms, while having no confidence in their own socialist economy. The law of the inherently planned nature of the socialist market economy still requires people's attention and in-depth study.

## V. Public and Non-public Economy at the Primary Stage of Socialism

China for many years has been at the primary stage of socialism, which requires a corresponding ownership of the means of production. Over a long period, the coexistence and co-development of the public and non-public economies has made up the country's basic economic system. With the reform and opening-up, the exclusive existence of public ownership has come to an end, and a new pattern has been created in which diverse economic components coexist. Alongside the public economy, a variety of non-public economic forms have come into being, thus enlivening, boosting and strengthening economic life.

However, it is easy for people to gain the impression that the achievements are mainly attributable to the introduction of the non-public economy, and that the public economy represented by state-owned enterprises constitutes a negative factor. Further, in the eyes of liberals and neoliberals the purpose of the reform is to eliminate public ownership, and the degree of thoroughness of the reform is to be measured on the basis of whether public ownership has been done away with completely. Although Deng Xiaoping, the chief designer of the reform and opening-up, maintained that whether the weight of planning was greater or lesser than that of the market was not a problem, he never stated that the dominant position of public ownership was dispensable. This has not, however, prevented a certain number of people from making a groundless deduction, and from decoupling the question of ownership from that of whether China should stick to socialism or convert to capitalism. Such people believe that the saying “It doesn’t matter whether a cat is black or white; if it catches mice, it is a good cat” is also applicable to the transformation of ownership. This gives the impression that only state-owned enterprises suffer from the problems of monopoly, inefficiency, laziness and inaction, while private enterprises will not experience problems. In reality, both state-owned and private enterprises can play a positive role if well regulated, and problems will arise if the regulations fail to work. The criterion for judging whether the regulations work well is, as Deng Xiaoping suggested, whether they promote the growth of the productive forces in a socialist society, increase the overall strength of the socialist state, and raise the people’s living standards.

At the primary stage of socialism, a certain proportion of the economy should be in public ownership, since ownership is the fundamental factor that determines the nature of the state. During this stage, the non-public economy has its own particular characteristics and laws of development, and is complementary to the public economy. In an environment where the market decides the allocation of resources, we should not focus exclusively on large state-owned enterprises, but should also be conscious of the fact that the private economy can easily create monopolies in many industries. For example, large real estate companies are diversifying their operations into such basic fields of social life as culture, education, health care and aged care. The existence of monopolies in economic and cultural life will inevitably influence local political power, which raises the question of how we should understand the trend of development of socialized production within the non-public economy. With the change of national conditions brought about by the development of the productive forces and of the commodity economy at the primary stage of socialism, the ownership structure as adapted to the new national conditions should be dynamic rather than fixed. Here again the problem arises of how to decide upon a standard for measuring whether a commodity economy is developed or underdeveloped. In today’s mixed ownership reform, we need to clarify further what public ownership and its forms of realization are, and then to clarify the ownership-related requirements of socialism itself. Similarly, what is the maximum extent to which a socialist country can allow the private economy to grow, and the size that private enterprises should be permitted to attain? What is the difference between large and small enterprises in the political relationships they construct within the non-public economy? What limits should be placed on the privatization of public institutions in areas such as education and health care? There are many major issues of right and wrong that should not be decided without debate. They should be carefully studied and discussed fully even when they cannot be clearly explained. They should not be avoided, let alone be consistently ignored. In

short, we should adhere to the “Two Unswervinglies” (“We will unswervingly consolidate and develop the public ownership economy, and at the same time unswervingly encourage, support and guide the development of the non-public ownership economy”), while adhering to the party’s basic line in a rounded manner instead of simultaneously being soft on the one hand and hard on the other.

## VI. Socialist Modernization and the World Economy

A clear feature of socialism with Chinese characteristics is socialist modernization, which is different from the modernization model to be found in past world history and economic history. Within the context of capitalist expansion, human communication, world history and the world economy all followed the road of modernization that had been opened by industrialization, in the process taking on the attributes that distinguish capitalist modernization. The socialist road pursued by the Soviet Union and Eastern Europe represented an attempt to break from this pattern, but in the process of the reform and opening-up to the world economy that was ventured by these countries, their socialist modernization encountered serious setbacks. Perhaps the most appropriate comment that can be made on their failure to solve internal and external problems is that they were born in the wrong era. First, socialism as a historical innovation began from a weak position, and was therefore destined to experience setbacks and even come to a premature end under the pressures of encirclement and attack by capitalist powers. Historically, no new social system—and this includes capitalism—has developed out of a preceding system in a smooth and linear fashion, without experiencing crises and reversals. Secondly, at the same time as the Soviet Union and Eastern Europe were undergoing drastic changes, the new wave of economic globalization and the productivity revolution triggered by new scientific and technological developments injected a “stimulant” into the developed capitalist countries. Although the drawbacks and crises of capitalism were to re-emerge shortly afterwards, and the capitalist countries were to be plunged into a deep pit of financial and social crisis, the socialism of the Soviet Union and Eastern Europe did not survive until that point. By contrast, China’s reform and opening-up has successfully opened up the road of socialism with Chinese characteristics. On the basis of rapid economic revitalization and the steady, rounded creation of a well-off society, China has embarked on a new journey to carry through its socialist modernization. Today’s socialism with Chinese characteristics may be said to differ from the socialism of the past, and the same is true of today’s capitalism. Today’s world is experiencing an enormous new change, and the relationship between China and the world is bound to be part of it.

World history and economic globalization now present us with the urgent problem of how to deal with the relationship between the domestic and external economies of each of the world’s countries. How will the developed Western nations evolve? What does the future hold for developing countries? What is the trend of economic globalization? How will the Chinese economy implement the country’s “going-out strategy”? What kind of economic base is required by a world community with a shared future for mankind, as advocated by China? These questions are worth pondering. Since the 18th National Congress of the CPC in 2012 Xi Jinping’s important presentation on building a community with a shared future for mankind, and on China’s practice of opening up to the outside world, has demonstrated China’s new concept of how to handle external

economic relations in the new era. This concept involves the establishing of international financial institutions and the implementation of the “One Belt and One Road” initiative, along with other programs for international investment and economic cooperation. It also includes the principles underlying such socialist values as co-construction, sharing, and joint development; the overcoming of difficulties; peaceful coexistence; win-win cooperation; and harmony and tolerance. Together, these elements have shown the attractiveness of advanced concepts of human collaboration. The “bringing-in strategy” that is part of China’s comprehensive opening-up will not exclude the advanced mode of economic management and operation from other countries, and neither will China’s “going-out strategy” follow the old road of colonial expansion and bullying that was pursued by Western capitalism. We must not ignore this latter point when we interpret the policy of opening up to the outside world that is embodied in socialism with Chinese characteristics for the new era, but should fully demonstrate its new connotation.

## VII. China’s Internal and External Markets

During the twentieth century many confrontations took place between the two camps of socialism and Western capitalism, and in the respective camps, two distinct varieties of market theory arose. Since the collapse of the Soviet Union ended the bipolar world structure, and especially since the rapid development of economic globalization, the processes of marketization and the growing interdependence of the world’s economies have greatly weakened national market boundaries, and have strengthened the homogeneity of the world market. Since China began implementing its reform and opening-up, the country’s domestic economy has gradually been integrated into the international market, while at the same time undergoing a market-oriented transformation. Although China is constructing a socialist market economy, few people have extensive knowledge of its unique and relatively independent domestic market. As a result, and although the concept of the socialist market economy has now been put forward for many years, there are still many people who do not understand the meaning of this term, or who believe that the market economy is the same everywhere in the world. But is it exactly the same? Can only one kind of market economy exist? Are China’s population of more than one billion people, and its complete national production system, insignificant or negligible? While the purchasing power of the Chinese people was limited in the early years of the reform and opening-up, and China was liable to neglect its own market when seeking to join the world market, the country’s consumer market of more than one billion people has attracted increasing attention as China moves towards prosperity and strength. This is especially evident now that the financial and economic crisis that began more than ten years ago in the developed capitalist countries of the West has led to a general crisis in the international market. China’s economic growth figures remain at the top of the list for major world economies, while in proportion to the country’s overall economic output, the share represented by its exports is now quite small. Although the international market is shrinking, China’s domestic market has become the main support for the global economy, and is developing its own style. It can even implement the supply-side reform in a timely and effective manner.

It is becoming increasingly clear that China not only has a sound national economic system, but also possesses a large domestic market, constituting a vast self-contained

economy. Not only should China stop ignoring this fact, but it is time to take it seriously. China does not reject economic globalization and market internationalization. It has been taking a more active and open attitude to economic globalization, and striving to develop international markets. However, it is undeniable that for some time now, the unbalanced development of the world economy and politics has caused unrest in peripheral markets. Trade barriers are not being eliminated, and the international market is in a far from ideal state. The uniqueness of the development of China's socialist market economy and the growth and relative independence of its domestic market have become increasingly obvious. Within the international market, economic globalization and regional integration are not developing in anything like straightforward fashion, but by contrast, China's efforts at regional integration in the Yangtze River Delta, the Pearl River Delta and the Beijing-Tianjin-Hebei Region are proceeding apace. China's domestic market and the international market will coexist and co-develop for a long time to come, and this will provide important support for the path of socialism with Chinese characteristics. Will this situation form the basis for a new two-market theory of China's socialist economics? What are the inherent requirements for and characteristics of the socialist market economy? Is there a market logic that corresponds to socialism with Chinese characteristics? All these questions deserve further study.

## VIII. The Purpose and Motivation of Socialist Production

The nature of a social system determines the purpose of social production, and the methods of production should not have the effect of concealing this purpose. Although China is still at the primary stage of socialism, and constructing socialism with Chinese characteristics requires vigorous development of the commodity economy and the application of market economy methods, the primary stage of socialism and socialism with Chinese characteristics are still socialist in essence. The ultimate goal of socialist production is to enable all the people to lead happy lives, and to promote free and rounded human development. In other words, we should vigorously promote socialist material and spiritual civilization so as to achieve all-round social progress. Consequently, China at the primary stage of socialism needs to vigorously emancipate and develop its productive forces, to develop the commodity economy, and to promote large-scale socialized production through the socialist market economy in order to develop and strengthen socialism. The rules of the market and of the commodity economy require enterprises to pursue economic benefits, but for socialist enterprises, these benefits are not the only goal, or the ultimate one. For socialist enterprises, the ultimate goal is to strengthen themselves so as to serve the whole society, with all the social benefits that flow from this. It follows that while some enterprises operate solely for profit and others do not, the economic and social benefits they create are basically consistent with one another. Some enterprises should seek to maximize their profits so as to enhance their market competitiveness and better serve the society, while others need to operate with no profit or with a deficit, even in some cases requiring nationwide support, in order to safeguard the interests of the country and society. This means that at the primary stage of socialism, concrete situations involving monopolistic and loss-making industries require specific, concrete analysis.

The nature of a social system determines endogenously the character of the driving forces behind its social production. Capitalist commodity production is driven by the

compulsion of capital to expand through extracting surplus value, and in pursuing this goal, capital constantly gives rise to fetishistic ideas of consumption and market demand. Socialism, by contrast, needs to base itself on developed material civilization so as to pursue all-round social progress and the free, rounded development of human beings in ways that extend beyond material civilization—that is, to overcome the fetishistic alienation and spiritual crisis of capitalism through advanced culture. Socialism may be said to contain a spiritual power that is based on human rationality. But the primary stage of socialism requires an extended process of constructing material civilization, and is subject in the long term to an unfavorable environment that includes expansionist pressures from the external capitalist world. In the course of this process fetishism will also appear in China, distorting the world outlook of the Chinese people and their outlook on life and values, and undermining advanced culture. Potentially, this might result in the loss of the society's common ideal, depriving people of the spiritual motivation for socialist development, and even turning the socialist evolution during the primary stage of socialism into some form of illusion. Consequently, we should not only engage in material production during the primary stage of socialism, but also pay attention to spiritual production. Only in this way can we ensure that socialism becomes a practical reality that people can perceive, and also a spiritual source of social development and progress. Actually, the development of socialist spiritual civilization and socialist material production both need spiritual power. The socialist market economy as implemented at the primary stage of socialism often stirs people's enthusiasm through engaging with their economic interests, while encouraging or restricting various types of social behavior through mechanisms such as material stimulation, rewards and punishments. It is thus capable of achieving remarkable results, but we should also be wary of impoverishment in the spiritual sphere, since the overflowing of material desire will inevitably undermine spiritual will, resulting in what the idiom describes as “being reckless with greed.” China is thus finding that the spiritual power of socialism has gradually become nihilistic, and that the space of advanced socialist culture is being squeezed by crude, vulgar cultures and by kitsch. If people are motivated solely by material stimulus, this is bound to cause harm to the economy and even to the whole society. How to resist and reverse this trend in the socialist commodity economy is a vital question.

Only within the context of an appropriate system can science and technology become the primary productive force. In this regard, the socialist system has the advantage of generating the appropriate driving mechanism of production. Marx clearly points out,

With capitalist production, therefore, the *scientific factor* is for the first time consciously developed, applied, and called into existence on a scale which earlier epochs could not have imagined. (Marx and Engels 2010b, 35; emphasis in the original)

It is the capitalist mode of production which first puts the natural sciences to the service of the direct production process, while, conversely, the development of production provides the means for the theoretical subjugation of nature. It becomes the task of science to be a means for the production of wealth; a means of enrichment. (Marx and Engels 2010b, 137)

It is capitalist production which first transforms the material production process into the application of *science to production*—science put into practice—but it does so only by subjecting labour to capital and *suppressing* the worker's own intellectual and professional development. (Marx and Engels 2010b, 38; emphasis in the original)



Within the capitalist mode of production, capitalists because they possess capital are able to seize the benefits of scientific and technological productivity without payment. The privatizing and monopolizing of technology that occurs under capitalism can bring capitalists the increment represented by surplus value, but cannot promote the economic development of the whole of society, or benefit all of humankind. Although the scientific-technological revolution has served time and again to prolong the life span of the capitalist system, the question of whether science and technology can be transformed into social productivity, and can promote the sustainable development of production, is determined ultimately by the nature of the prevailing system. Even though developed Western countries have monopolized the most advanced technologies, they are unable to avoid serious and repeated crises, recessions, and even long-term stagnation in the fields of finance, the economy, and society. For comparison, China in the first decades after the establishing of its socialist system succeeded in developing advanced nuclear and satellite technologies. Despite having to proceed from an economically and technologically backward starting-point, China achieved these advances through trusting to the self-reliance, independent innovation and arduous struggle of the whole people. It also established a relatively complete manufacturing system, which laid a solid foundation for the economic take-off and sustainable development that followed the launching of the reform and opening-up. In addition to its economic triumphs, China employed independently innovative traditional Chinese medicine to rapidly eliminate syphilis, schistosomiasis, malaria and other diseases throughout the country. It has achieved the goal of universal health care, and has significantly prolonged the life expectancy of the people. Its educational and cultural system not only popularizes universal education, but also cultivates a huge volume of scientific and technological talent. These are among the best proofs of the superiority of the socialist system of joint construction and shared fruits. The principles of Marxist political economy show that the productive forces and the relations of production make up a set of contradictory categories that are directly related. The relations of production affect the productive forces in the most direct ways, and for emancipating and developing these productive forces, the most effective factor is the relations of production that correspond to them. Only under the socialist system, within which the working people become the masters of science and technology and end the antagonism between the productive forces and the relations of production, can science and technology become the primary productive force, vigorously promoting the sustainable development of the economy and benefiting the entire people.

## **IX. Socialist Workers and Human Resources**

In a socialist society where the working people are the masters of the country, human beings are the most precious asset. The status and dignity of workers are paramount, the basic principles of value are joint construction, sharing, fairness and justice, and the social value of human beings is embodied in their labor contributions. Everyone is thus a worker, and those who have the ability to work earn their own living. Meanwhile, the whole society has embraced the values of respecting and loving labor, and the basic principle of distribution is that goods are divided up according to work. In a socialist society, human status and dignity are emphasized, the human being is the main subject, and labor is the first need. In contrast, capitalist society began with the idea of humanism but in



reality centers on the object, and ignores human existence. Capital is supreme, and money is paramount. Through the employment of labor to create surplus value, capitalists control the distribution of wealth; people are slaves to money, and tools for others to use. People's minds are also shaped by capital, and even such concepts as workers and the working people are seldom discussed. Instead, the focus is generally on the concepts of human capital, human resources and the labor force.

At the primary stage of socialism and in today's world, the non-public economy, capital markets and wage labor still exist. Chinese citizens are not only the masters and builders of a socialist country, possessing the legal right of distribution according to work; at the same time they are human resources and part of the labor force in the capitalist market. When people are generally used to it and adapted to it, this type of dual identity, dual role and dual status no longer has much impact on their consciousness. The ideas of the glory of labor, the noble status of workers, and the spirit of the master have meanwhile become increasingly vague and rare in the cultural atmosphere of public propaganda. This ambiguity will gradually permeate into policies and regulations, affecting policy formulation in areas such as enterprise economy, education, population, social security, and even development strategy, eventually leading to quantitative and qualitative changes in the fundamental social system. Changes in the views that govern economic and social life will lead to changes in the concepts of the discourse system, and the evolution of the discourse system often marks the end of a system and its era. As Marx points out, "Considered *notionally*, the dissolution of a definite form of consciousness would be sufficient to destroy an entire epoch" (Marx and Engels 2010a, 464; emphasis in the original). Therefore, the relationship between ideas and institutions is also a domain that should receive attention in studies of political economy.

## X. Socialist Economic Practice and Socialist Economic Theories

While the capitalist system has a history of evolution and development extending over several hundred years, the practice of the socialist system embodies only limited experience based on conditions that have been far from perfect or ideal. Therefore, the gap in people's understanding of the two systems is obvious. Previous Western economics dealt mainly with capitalism. Even *Capital* (Marx 2010), the unprecedented work of Marx as mentor of the proletarian revolution, is a scientific revelation of the laws of capitalist economy, and a critique, in the terms of political economy, of capitalism and of its economic, political and cultural characteristics. Although Marx and Engels demonstrated the historical inevitability of the communist society that would replace capitalism, they did not attempt to describe in concrete detail the specific forms of the development of socialist and communist economies, nor were they prepared to draw specific conclusions based on their subjective assumptions concerning a content that had not yet been practiced. Socialist practice and socialist economic theories can only await the arrival of a mature historical opportunity; nevertheless, they have already contributed to the basic principles of scientific socialism.

In the century after Marx and Engels, Russia was the first country to establish socialism. Over a short period of a few years, Lenin was able to provide only a set of fascinating ideas for socialist economic construction. Later, the Soviet communist theorists represented by Stalin engaged in theoretical discussions based on the Soviet model. However, these theoretical discussions were abandoned or buried in the historical dust following the

disintegration of the Soviet Union and the dramatic changes in Eastern Europe, and no echo of them was to be heard amid the hustle and bustle of Western capitalist economics and economic theories.

Soon after its founding, the new China completed its socialist transformation and established a socialist system. The road of socialism with Chinese characteristics that has been initiated by the reform and opening-up remains a socialist one. The 70 years of practice and the achievements of socialism in China are of world-historic importance and have attracted global attention. On the basis of the revitalization it has received, China's economy has taken off. Incongruously, there is little discussion of socialism in economics and economic theories. When many of the existing economic theories are capitalist-related, and when Western economic theories are proving incapable of curing the diseases of the Western countries themselves, how can these theories be directly "copied" so as to guide China? Now that China has taken the socialist road, and has developed effectively for more than half a century, socialist economic theories possess their own practical basis. Therefore, we should strengthen research, strengthen our understanding of economic laws, and steadily improve the theoretical and disciplinary system of socialist political economy with Chinese characteristics. Some may suggest that because socialism with Chinese characteristics in China is still at the primary stage of socialism, and the economic system is not completely socialist, the study of socialist economic theories cannot correspond to the actual situation in the country. One might well respond that if socialist economic theories are not appropriate, are capitalist economic theories suited to China's reality? How can we build a socialist economy with Chinese characteristics while employing capitalist economic theories alone? If China can draw lessons from the theoretical advances achieved by capitalist economics in the process of developing the commodity economy and establishing the system of the market economy, why can it not inherit socialist achievements? Moreover, socialism with Chinese characteristics is still socialism. The basic principles of scientific socialism created by Marxism are precisely the institutional principles emphasized by the CPC Central Committee. If the socialist factors gradually decrease or even disappear, there will inevitably be crises and decay even if the economy is highly developed. Therefore, the guiding principles and empirical basis that China now possesses necessarily require it to explore thoroughly its own socialist economic theories, so as to better serve the economic construction of socialism with Chinese characteristics.

## Note

1. Deng Xiaoping emphasized that both planning and market are the means in 1985, 1987 and 1992 (see Deng 1993).

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## Notes on Contributor

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